

January 15, 1998

MEMORANDUM TO: Distribution

FROM: Michael J. Rubino, Associate Director
Acquisition Services Branch

SUBJECT: Policy Memorandum No. 98-002 - Financial
Capability/Responsibility Reviews

1. Purpose. The purpose of this Policy Memorandum is to modify the Acquisition Policy Manual (APM) to require financial capability evaluations only for contracts for services with an expenditure of \$500,000 or greater.
2. References. APM 6.D.7.a.(2), *re: Financial Evaluations*, page 6-32.
APM 6.D.7.e., *Financial Capability Evaluation*, page 6-34.
APM 6.E.4.g., *Financial Responsibility*, page 6-41.
3. Scope. This Policy Memorandum is applicable to all Contracting Officers, Audit Review Specialists and other Acquisition Services Branch personnel.
4. Background.

APM 6 requires a financial capability evaluation for all contracts for both goods and services having an expenditure of \$500,000 or greater. The purpose of this evaluation is to determine whether the successful offeror has the financial resources to perform all contractual obligations and whether these resources will continue to be available for the entire term of the contract. Determining an offeror's financial health prior to award is more relevant and significant for contracts for services than for contracts for goods.

Contracts for goods represent a lower risk to FDIC in the financial capability area. If a contractor fails to deliver, (e.g., due to internal financial problems), the FDIC does not assume any financial responsibility for the undelivered goods. However, contracts for services represent a higher potential risk to FDIC because the contractor may not be able to continue performance because of financial incapability (e.g., bankruptcy or inadequate funds). If the contractor does not possess the proper financial capability to sustain performance over the entire contract term, it may not be able to complete its obligations and FDIC may not be able to recover payments made during performance (e.g., if the firm declares bankruptcy).

5. APM Change. In accordance with the foregoing, the APM is revised in the following areas:

a. APM 6.D.7.a.(2) is deleted in its entirety and re-stated as follows:

“(2) A financial capability evaluation shall be performed on the prospective awardee (i.e., successful offeror) for contracts for services only with an expenditure of \$500,000 or greater. The evaluation shall consist of an analysis of financial data submitted by the offeror and such other relevant information supporting the financial condition of the offeror to determine whether the apparently successful offeror can fully meet all contractual obligations for the entire term of the contract. Offerors will be required to identify any pending proposals submitted to FDIC, any previous or existing contracts with FDIC, and other pending commitments and contractual obligations. At the discretion of the Contracting Officer, a financial capability evaluation may be conducted for contracts for goods and services less than \$500,000 or contracts for goods \$500,000 or greater if necessary.

b. APM 6.D.7.e. is deleted in its entirety and is restated as follows:

“6.D.7.e. Financial Capability Evaluation (Competitive Range). The Contracting Officer shall perform a financial capability evaluation for all firms in the competitive range for contracts for services having an expenditure of \$500,000 or greater. The evaluation shall consist of an analysis of financial data submitted by the offeror and such other relevant information supporting the financial condition of the offeror to determine with reasonable assurance that the apparently successful offerors can fully meet all contractual obligations for the entire term of the contract. Offerors will be required to identify any pending proposals submitted to FDIC, any previous or existing contracts with FDIC, and other pending commitments and contractual obligations. At the discretion of the Contracting Officer, a financial capability evaluation may be conducted for contracts for goods and services less than \$500,000 or contracts for goods \$500,000 or greater if necessary.”

c. APM 6.E.4.g. is deleted in its entirety and restated as follows:

“6.E.4.g. **Financial Responsibility**. For contracts for services in the amount of \$500,000 or greater, a determination of financial responsibility shall be made to ensure that the contractor has the financial capability to perform the required services. At the Contracting Officer’s discretion, a financial responsibility determination may be made for contracts for goods and services less than \$500,000 or contracts for goods \$500,000 or greater if necessary.”

Policy Memorandum No. 98-002

6. Effective Date. This Policy Memorandum is effective immediately.
7. Contact. If you have any questions, please contact David K. McDermott at (202) 942-3434.

cc: Jane Sartori
John Lynn
DOA Associate Directors
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Rex A. Simmons, OIG

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